



NORTH WEST COMPANY FUND

1998 Annual Report

vision



growth



strategy

We are the leading provider of food and everyday products and services to remote communities across northern Canada and Alaska.

Our purpose is to create superior long-term investor value by enhancing the value we offer to our customers, our employees and the communities we serve.

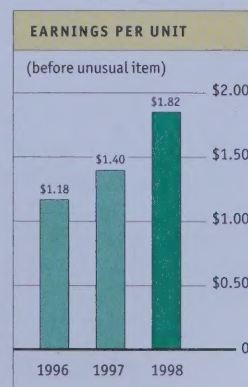
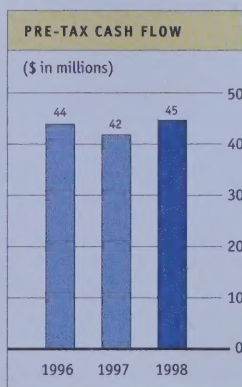
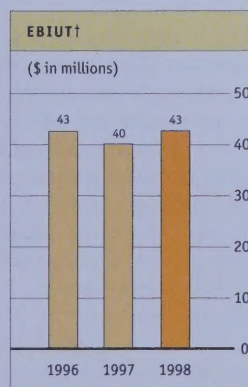
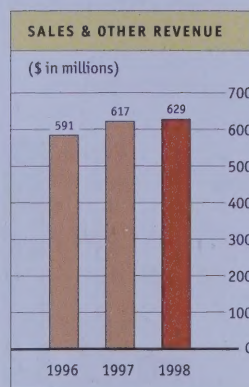
Our vision is to be the most successful small market retailer in North America.

THE NORTH WEST COMPANY



1998 Financial Highlights

(in thousands of Canadian dollars)	52 weeks ended January 30, 1999	53 weeks ended January 31, 1998	52 weeks ended January 25, 1997
RESULTS FOR THE YEAR			
Sales and other revenue	\$ 629,118	\$ 616,710	\$ 590,583
Earnings before interest, unusual item, and income taxes	42,831	39,587	43,208
Earnings	16,145	21,037	17,858
Pre-tax cash flow	45,082	42,244	44,094
FINANCIAL POSITION			
Total assets	\$ 393,281	\$ 425,136	\$ 383,736
Total debt	172,049	201,408	175,027
Total equity	164,117	160,160	147,353
PER UNIT/SHARE			
Earnings for the year before unusual item	\$ 1.82	\$ 1.40	\$ 1.18
Earnings for the year	1.08	1.40	1.18
Pre-tax cash flow	3.01	2.82	2.92
Cash distributions/dividends paid during the year	1.00	0.60	0.40
Equity	10.94	10.68	9.82
Market price – year end	15.50	14.00	11.00
– high	16.65	14.80	11.50
– low	11.55	10.25	6.75
FINANCIAL RATIOS			
Debt to equity	1.0 : 1	1.3 : 1	1.2 : 1
Return on net assets *	12.0%	11.4%	13.4%
Return on average equity before unusual item	17.6%	13.9%	12.7%
* Earnings before interest, unusual item and income taxes as a percent of average net assets employed			



† Earnings before interest, unusual item and income taxes

This past year saw strong growth and the start of a promising new path for your Company.

Our earnings before unusual items were up 29.7% to \$27.3 million. We delivered total unitholder returns of 18.5%. We increased our sales to a record \$629.1 million. And we accomplished all of this during a time of intense work on our longer-term strategy, *Vision 2000+*.

What made the difference in achieving these results? First of all, our people. They excelled in many areas, starting with productivity gains in Canada, market share gains in Alaska and in leading change across our organization. Secondly, like last year, we benefited from the tax effectiveness of our trust structure.

Reaching For Our Potential In Canada

Our *Vision 2000+* "vision" is simple but ambitious. We plan to be the most successful small market retailer in North America, beginning with our core business of northern retailing in Canada – a market where we see tremendous, untapped potential.

The following pages highlight our progress on three important strategies:

1. *Streamline our business.*
2. *Focus on what our customers value the most and what creates value for us.*
3. *Be the best at selling.*

In 1998, our first priority was to create an organization that would make these strategies work. In April, we restructured our head office to create clearer, tightly linked roles for planning, buying, moving and selling merchandise. Through this process, we also reduced our administrative staff costs by 25%. At the same time, we strengthened our expertise in food merchandising, by recruiting talent from leading food retailers.

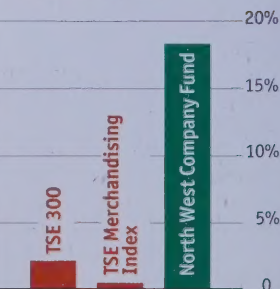
In July, we introduced an innovative compensation plan that increases the reward for breakthrough performance gains. We linked more compensation to annual and three year targets and to the value of our North West Company Fund units. We also included more people at levels farther down our organization.

As our new organization came together at head office, we were listening very carefully to what today's consumer wanted to see at store level. Our customers told us they want bigger, better-run food departments, more affordable price points, accessible credit and a more reliable catalogue service. We've responded with new ideas and more compelling programs in each of these areas. We've also tailored them to each type of customer and market we serve – from small, generally younger and poorer Aboriginal communities to larger, higher income, mixed ethnicity locations.

Over the next 12 months, we will move at a fast, controlled pace to roll out these and other initiatives. In 1999 alone, we will revitalize 750,000 feet of selling space, nearly three quarters of our total in Canada. Every store will see more space dedicated to food and everyday basics, a stronger mix of lower price point merchandise and improved food merchandising skills. In 75% of our stores, fashion apparel, furniture and electronics will now be sold primarily through our catalogue channel. We are confident that each of these changes will take us to a new level and re-ignite growth in our Canadian business.

TOTAL RETURNS FOR THE YEAR ENDED JANUARY 1999*

NWF vs. the TSE 300 and the TSE Merchandising Index



* Distributions or dividends and share/unit price appreciation

Accelerating Our Momentum In Alaska

Much of what we are looking to achieve in Canada has been started in Alaska, and it is paying off. In 1998, sales for Alaska Commercial Company (AC) increased 6.2% to \$90.6 million (U.S.), led by a 7.6% increase in food, which now accounts for 77% of our total sales mix, up from 75% in 1997. Equally satisfying are the bottom line gains. Earnings before interest and income taxes increased 118.8% to \$2.6 million (U.S.) and operating cash flow rose 64.2% to \$4.3 million (U.S.) despite costs incurred in the fourth quarter to close five unprofitable locations. These gains reflect market share improvement in all areas of AC's business. More importantly we believe that our momentum will accelerate in 1999. We expect continued sales and earnings growth as AC capitalizes on new store openings and exciting growth plans in its wholesaling division.

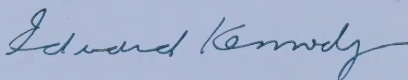
Leveraging Our Trust Structure For Superior Returns

The North West Company Fund (NWF) structure was again an important contributor to our results. It continues to help us generate superior returns for investors while retaining the cash we need to maintain our financial stability and pursue growth. In 1998, we increased cash distributions to investors by \$6 million and we reduced bank debt by over \$27 million, bringing our total debt/equity ratio very close to our 1:1 target. During the year, we also spent \$18.3 million on store upgrades and new technology in support of our *Vision 2000+* goals.

Keeping Our Focus In 1999

Our *Vision 2000+* work last year prepared us for new directions in our stores and catalogues this year. As 1999 progresses, our challenge is to stay focussed, recognizing that as we undertake fundamental changes to our business, we must pay even closer attention to getting sales every day.

In last year's report, we noted that it is our people – their enterprising spirit, values and exceptional commitment – who make our vision come alive. As we launch our new positioning in Canada and build on our momentum in Alaska, we believe this has never been more true and has never offered more potential for our future.

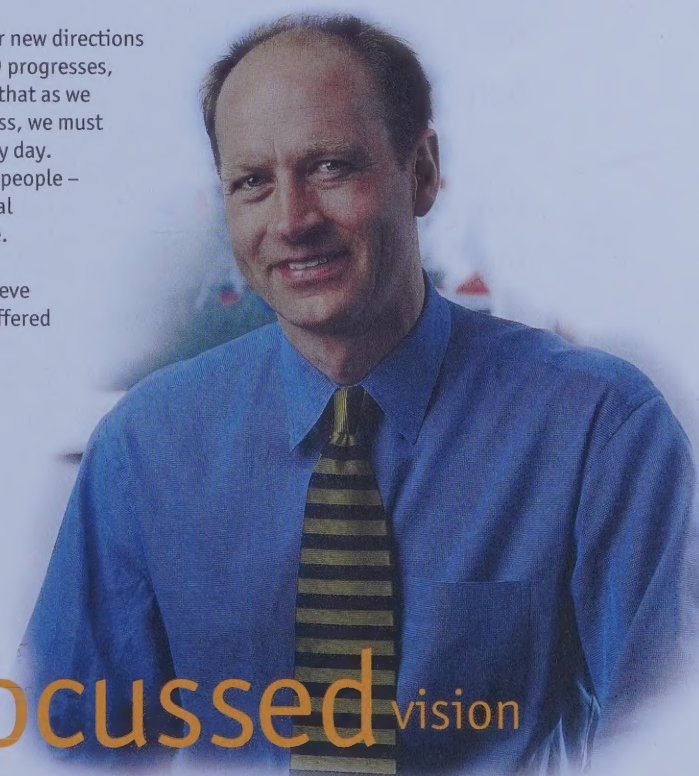


Edward Kennedy, President and Chief Executive Officer



Ian Sutherland, Chairman

April 16, 1999



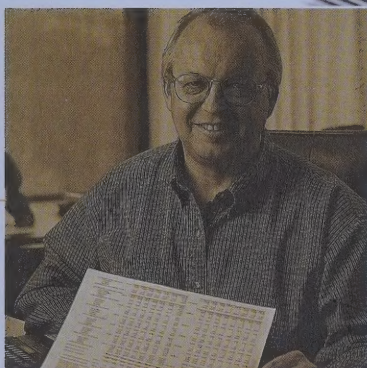
focussed vision

Streamline our business.

In 1998, we sharpened our focus and made productivity gains. We closed or sold 19 underperforming non-core stores, freeing management time and \$15 million in capital for our core business. Our head office restructuring established clearer accountabilities while reducing costs by \$5 million. Our new enterprise-wide merchandise and financial information systems are allowing us to make better merchandising decisions, using information that has never before been available in a reliable, cost-effective way.

These changes contributed to a 23.4% reduction in non-food inventory levels in 1998, and we expect further improvement in 1999. This ongoing discipline will help us maintain our competitiveness as we invest in profitably growing our business.

The bottom line: Streamlining helps us to sharpen our focus and grow profitably.



Gary Eggertson
Vice-President & CFO

"We have chosen to reduce our administrative costs now to assure success in the future as we move forward at store level with changes that meet our customers' value expectations and our required returns."



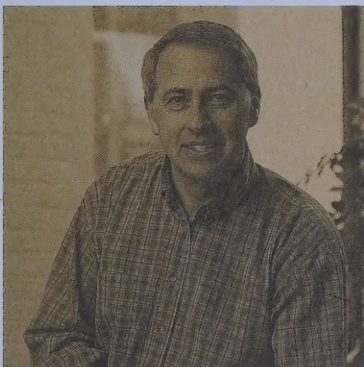
sharpening
our focus

Focus on what our customers value the most and what creates value for us.

Being value-driven starts with being vital to today's northern consumer. We plan to be the first shopping choice for every generation.

- To our youth customer, aged 5 to 18, it means being “fashion right” for snack and fast foods, toys, clothing, sports equipment, music and entertainment.
- For 18 to 25-year-olds, who are making major changes in their lives, it means being accessible to them through credit financing and catalogue-enhanced categories like furniture, electronics and high-performance snow machines.
- To our household customers aged 25 to 45, who make most of the family's buying decisions, it means being affordable while ensuring our products meet the rigours of northern living.
- For our older customers it means being a trusted, reliable source for more traditional lifestyle needs amidst the rapid influx of southern trends and technology .

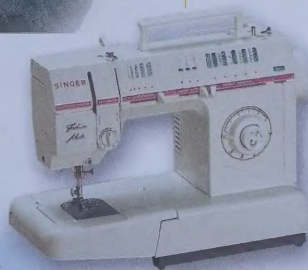
The bottom line: By knowing our customers better than anyone else, we can create value for them, ourselves and our investors.



Herb Elnor

Director, Merchandising &
Operations Support

"In 1999, we will increase the selling space for food and everyday basics by 25% with the launch of our "Best Value" opening price program, our "Big Deals" caselot and clubpak programs, and by expanding high-potential categories like perishable foods, grocery and hardware. By the end of this year, 75% of our stores will be physically revitalized."



understanding our customers

Be the best at selling.

Building on our strengths will create even more distance between ourselves and the competition.

We are upgrading our food selling skills, starting in our largest, most competitive markets. Non-selling activities are being moved out of our stores wherever possible. New incentives and pay-for-performance programs are being put in place to improve retention rates among store staff and management.

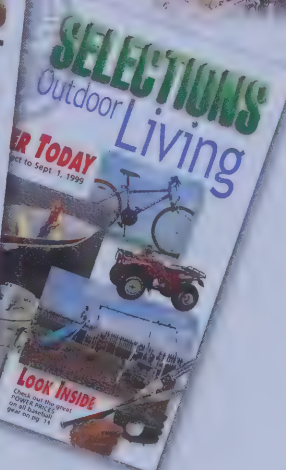
We are increasing our catalogue editions to six from two. Each store revitalization will feature a special catalogue selling area, including direct order lines, samples and exciting visual presentations highlighting our wide range of products and services.

The bottom line: Everyday access to our customers + strong selling skills = a hard-to-duplicate advantage.



Carl McKay
Vice-President, Sales & Operations

"Our one-on-one relationship with our customers has always been one of our strengths. The revitalization of food selling skills, coupled with an improved offering through the Selections catalogues, will further strengthen that relationship. More importantly, it will provide increased value to each and every customer."



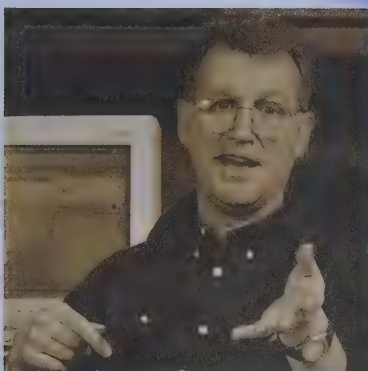
improving sales
effectiveness

Building Alaskan performance momentum.

This is the third straight year of improved results at AC. Four years ago, we set a goal of establishing AC as the #1 food retailer in rural Alaska. We streamlined AC's cost structure and narrowed its product mix to allow us to be the best in food and other local shopping categories. We invested in new stores and developed a top calibre management team. Having stayed the course with its plan, today AC is a faster, leaner, more capable organization. More importantly, these gains have created a first rate shopping experience for our customers and a profitable market leadership position for AC.

With momentum building, we expect continued earnings improvement at AC as we grow market share in existing locations, add new stores and expand our *Frontier Expeditors* wholesale business.

The bottom line: Our Alaskan strategy is working.



Jerry Bittner

President, Alaska Commercial Company

"Retailing today has gone into another dimension. We not only have to understand merchandising, but we need to know how to react to ever-changing technology and new types of competition. Through all this, we must remember that our main responsibility to our customers is to provide the best quality merchandise at the best everyday price."



building
momentum

 Northern	137 Northern Stores	
 North Mart	4 NorthMarts	
 Quickstop	5 Quickstop Convenience Stores	
 THE NORTH WEST COMPANY TRADING POST	3 The North West Company Trading Posts	
 Northern Rental Purchase	1 Northern Rental Purchase	
Gibraltar House (Corporate Head Office) Retail Service Centre Northcan Distributors Odd Lots Discount Centre Motorized Division Selections Catalogue Operations Crescent Multi Foods	Winnipeg	
Inuit Art Marketing Service	Toronto	
Montreal Consolidation Centre	Montreal	

 AC Value Center.	19 AC Value Centers	
 FE Express Centers	3 FE Express Centers	
 AC Express Center.	1 AC Express Center	
Alaska Commercial Company (Head Office) Frontier Expeditors Distribution Centre	Anchorage	





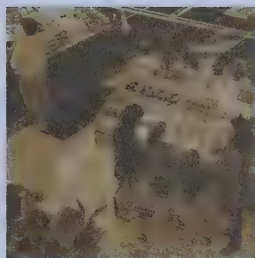
The **Northern** store in Kangiqsujuq, Nunavik sells fresh bread and pastries produced daily by Boulangerie Mamartuq – a "Stay-in-School" project that has turned into a remarkable success story. This alliance received a 1998 *National Partnership Focus Award* from The Conference Board of Canada.



Author Florida Town at the launch of *The North West Company Frontier Merchants*, which traces our roots back to 1668. Books may be ordered through Umbrella Press, 56 Rivercourt Blvd., Toronto, Ontario M4J 3A4, Tel: 416 696 6665, Fax: 416 696 9189, umbpress@interlog.com



Edward Kennedy provides a walking tour at the November 1998 opening of Norway House **Northern** store with Gary Filmon, Premier of Manitoba and Grand Chief Phil Fontaine.



In Alaska, **AC Value Centers** in both Barrow and Bethel saw major store upgrades, with expanded selling space devoted to fresh food and everyday basics.



THE NORTH WEST COMPANY

NORTH WEST COMPANY FUND

On March 27, 1997, the shares in The North West Company (NWC) were converted into units of the North West Company Fund (NWF), a mutual fund trust which assumed ownership of NWC. On that date, NWC issued \$85.5 million in subordinate notes to the NWF at an interest rate of 12.5%. The subordinate notes were increased to \$124.0 million on July 1, 1997, to \$172.0 million on February 23, 1998 and to \$175.0 million on December 10, 1998, which is the maximum permitted under the terms of an agreement with the holders of NWC senior debt. Interest is paid by NWC to the NWF on a semi-annual basis on March 15 and September 15. Interest on the notes is tax deductible by NWC. The impact of this tax saving in NWC on earnings of NWF was \$0.62 per unit in 1998 compared to \$0.33 in 1997. The 1999 impact of this tax saving is estimated at \$0.65 per unit. NWF makes distributions on a quarterly basis of interest income after deducting Fund expenses to the unitholders and it makes a final fifth distribution at the end of each calendar year.

During 1998, unitholders received quarterly cash distributions of \$0.25 per unit on March 15, June 15, September 15 and December 15. The final unit distribution of \$0.25 per unit on December 31, 1998 was immediately consolidated to leave unitholders with the same number of units as prior to the distribution and an increase in their adjusted cost base of \$0.25 per unit. The quarterly distribution was increased to \$0.30 per unit effective March 15, 1999 and is expected to be maintained at that level for 1999. A fifth distribution for 1999 is expected to be made of approximately \$0.24 per unit payable in cash or units, payable on December 31, 1999. The Directors and Trustees will decide in December 1999 on the final level of cash distributions for 1999 based on projected earnings, the debt to equity ratio, the Company's debt rating, the capital requirements for expansion and/or acquisitions and the business prospects for the following year.

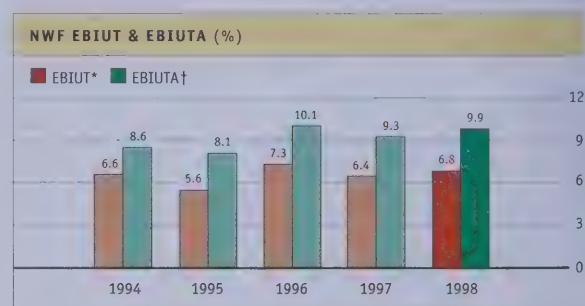
NWF CONSOLIDATED OPERATIONS OVERVIEW

Revenue and earnings

NWF reported consolidated earnings of \$16.1 million for 1998, or \$1.08 per unit compared to \$21.0 million or \$1.40 per unit last year. The results for 1998 include an unusual charge totaling \$20 million (\$11.1 million after deducting related income tax credits) or \$0.74 per unit as a result of a major repositioning of its Canadian operations. Earnings before interest, unusual item and income taxes (EBIUT) increased by 8.2% to \$42.8 million in 1998 as a result of a 135% improvement in the earnings before interest and income taxes (EBIT) from Alaska Commercial Company (AC) and a cost reduction program which reduced expenses by 2.5% in Canadian operations. Earnings before interest, unusual item, income taxes, and amortization (EBIUTA) increased by 8.7% to \$62.0 million in 1998. The effective income tax rate for 1998 was reduced to a 77.1% recovery as a result of the tax deductions related to the unusual item, the increased interest on the subordinated notes, and AC income applied to losses carried forward.

Revenues for the 52 weeks ending January 30, 1999 increased 2.0% (2.3% on a same store comparable 52-week basis) to \$629.1 million. Canadian operations accounted for 78.5% of total revenue while Alaskan operations contributed 21.5%. Sales from AC were favorably impacted relative to last year by a 6.3% average decline in the value of the Canadian dollar versus the U.S. dollar during the year. The major highlights of 1998 included:

- A 29.7% increase in earnings before unusual item, to \$27.3 million.
- A 175% increase in cash flow from operating activities to \$58.6 million.
- The strengthening of debt to equity ratio to 1.0:1 from 1.3:1 last year.
- Return on equity before unusual item of 17.6%, up from 13.9% last year.
- Total returns to unitholders of 18.5% (56.4% over the last two years).
- A planned 20% increase in quarterly distributions for 1999, from \$0.25 to \$0.30 per unit.
- The launching of *Vision 2000+*, an ambitious repositioning plan focused on profitably growing the Company's core Canadian business.
- A 135% increase in Alaska Commercial Company's EBIT to \$3.8 million, expressed in Canadian dollars (119% excluding foreign currency exchange gains).
- The opening of stores in the new locations of South Indian Lake, Manitoba; Keewaywin, Ontario and St. Paul, Alaska.
- The completion of major store upgrades or replacements in the existing locations of Norway House, Manitoba; Deline, Northwest Territories; Bethel, Alaska and Barrow, Alaska.
- The closure or sale of 14 underperforming non-core stores in Canada and five in Alaska.



*EBIUT is earnings before interest, unusual item and income taxes

†EBIUTA is earnings before interest, unusual item, income taxes and amortization

CANADIAN OPERATIONS

Canadian sales of \$494.0 million decreased 0.8% (0.0% on a same store comparable 52-week basis) while EBIUT increased \$1.0 million or 2.8% to \$39.0 million.

Food sales on a same store, 52 week comparable basis, increased by 0.4% versus the 3.5% industry average increase reported by Statistics Canada. Increased competition in larger markets, combined with weak sales in *Quickstop* restaurants and fuel, which are included in food sales, hurt overall performance. Food accounted for 63.3% of total revenues in 1998 compared to 62.9% last year.

General merchandise sales slipped by 1.0% on the same store, comparable 52-week basis, due to a 6.4% decline in the fourth quarter. Part of this sales drop was planned in support of the Company's repositioning strategy to focus more on foods while downsizing unprofitable general merchandise categories. The fourth quarter Christmas shopping season was chosen as an ideal time to clear items that will be discontinued. The clearance activities resulted in lower dollar sales but more comparable unit sales which helped reduce inventories in preparation for the physical reprofiling of stores with new assortments in 1999.

An important part of the Company's plan is the shift of general merchandise sales to its *Selections* catalogue channel. This was started in 1998 and was a key factor in *Selections* achieving a 23.0% sales increase to \$24.5 million. The Canadian average increase in Department Store Type Merchandise was 6.8% in 1998 as reported by Statistics Canada.

On a regional basis, infrastructure construction projects in the soon-to-be-created Canadian territory of Nunavut stimulated spending in the eastern Arctic and helped deliver a 3.5% sales increase. In the western Arctic, sales were down 4.6% due to government downsizing in anticipation of the division of the Northwest Territories on April 1, 1999, reduced oil exploration activity and increased local competition.

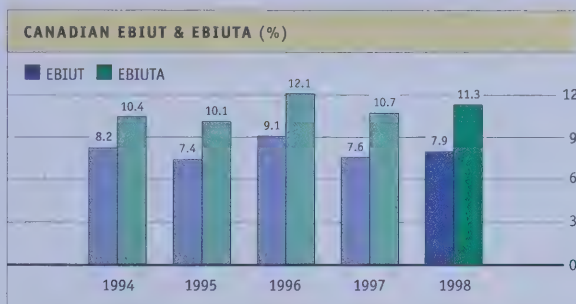
Sales per selling square foot were \$802 for food (\$841 in 1997) and \$241 for general merchandise (\$255 in 1997). Inventory turnover in the core stores decreased to 3.95 turns in 1998 from 4.12 turns in 1997, due to high stock levels early in the year and lower sales in the fourth quarter.

Gross margins from Canadian core retail operations were 35.6% in 1998, unchanged from 1997. The rate dropped in food as a result of higher freight rates, lower rebates and competitive pressures. These factors were partially offset by reduced product costs in food achieved by increased direct purchases and volume incentive allowances. General merchandise margins improved due to lower purchases in the fall season and fewer clearance markdowns. Strong sales in low margin categories such as toys, TVs and VCRs, and slightly higher shrinkage also contributed to lower margins in 1998.

Core stores operating expenses improved to a rate of 26.1% compared to 26.3% last year. Store occupancy costs increased 7.0% but were offset by reduced advertising costs and administrative cost reductions.

Canadian operations had 3,823 employees at year-end compared to 4,004 last year. Staff reductions were due to an administrative downsizing and the closing of 14 stores during the year.

EBIUT from Canadian operations was \$39.0 million or 7.9% of sales, an increase of \$1.0 million or 2.8% from 1997. Investment income dropped by \$0.5 million due to lower volumes in the Company's shipping investment, Transport Nanuk. EBIUTA rates increased to 11.3% from 10.7% in 1997. The increase in amortization of \$1.2 million in Canada was largely driven by the impact of higher spending on information technology.



Capital expenditures in Canadian operations were \$14.0 million in 1998 versus \$22.4 million in 1997. Expenditures of \$3.7 million were directed to the replacement or major renovation of existing stores and the acquisition of two new stores, and \$6.1 million was spent on minor renovations, equipment replacements and support facilities. Investments in systems of \$4.2 million were primarily directed at developing the food module of a central Merchandise Management System (MMS) which will be completed in the second quarter of 1999 and to the upgrading of NWC's technology infrastructure. Capital spending in 1999 in Canada will be approximately \$17 million with major components including the acquisition of three to five new stores in new markets and store replacements and a major expansion of the Company's largest store located in Iqaluit, the capital of the new territory of Nunavut. Systems expenditures will focus on the completion of the remaining modules of the MMS and Year 2000 preparedness.

Canadian retail operations added 21,381 square feet of selling space in 1998 to core operations, an increase of 2.3%. These additions were split between 7,883 square feet in new locations and 13,498 square feet from the expansion of existing stores to strengthen our position in key regional communities. The majority of new space was allocated to the food selling area. Two smaller **Northern** stores were opened in new markets during 1998. Ten **Northern** stores and one *Quickstop* convenience store with 96,034 square feet of selling space were closed during the year. These stores were located primarily in southern, former junior department store markets.

Vision 2000+

In the spring of 1998, the Company announced a new strategic direction called *Vision 2000+*, which is aimed at strengthening the Company's competitive positioning and profitable growth potential in Canada. This plan is designed to improve margins and market share in targeted categories and customer segments.

Vision 2000+ builds long-term value in the Company's Canadian operations through the disciplined execution of three key strategies that are also highlighted elsewhere in this annual report:

1. Streamline our business.
2. Focus on what our customer values the most and creates value for us.
3. Be the best at selling.

The restructuring initiative that is part of *Vision 2000+* directly supports the first of these strategies by reducing administrative costs, exiting non-core, lower profit store locations and eliminating less profitable, low growth merchandise categories. These initiatives are expected to deliver capital investment savings of \$20 million and annual expense savings of at least \$6 million by the year 2000. The restructuring costs, which have been recorded in the first quarter, are \$20 million on a pre-tax basis, including \$5 million for head office staff reductions, \$10 million for non-core business and store disposals and \$5 million for discontinued inventory in the core stores. The after tax impact is \$11.1 million, or \$0.74 per unit.

At the end of 1998, ten **Northern** stores, one *Quickstop* convenience store and three Fur Marketing branches were closed as part of the *Vision 2000+* divestiture strategy. A major restructuring of our supply chain and support services groups was made during the second quarter of 1998. Sales and operations directors were relocated to regional centres to provide them with quicker access to the stores. Buyer responsibilities were changed to embrace the category management approach to assortment management. Support costs were reduced in all corporate service areas by consolidating responsibilities, elimination of less critical functions, and redesigning the work to take advantage of the investments made in technology. Head count was reduced by 77 positions or 20%, which will yield an annual saving of \$4.2 million. All closing and restructuring costs were charged to the provision.

Another key initiative of *Vision 2000+* is the expansion of food and basic general merchandise shopping categories while placing less emphasis on fashion apparel and big-ticket durables. Purchasing in the affected departments was cut back through the fall season and clearance programs were developed to dispose of items that will no longer be carried in the stores or in the catalogue. Clearance activities were charged to the reserve, however, sales that were lost in preparation for the stores reprofiling were absorbed against current operations. This clearance activity was a major factor in the fourth quarter sales decline.

Our third strategy is aimed at creating a superior store and direct selling capability. This increased focus on our front line management and staff has been achieved by expanding our centralized administration, merchandising and logistics

accountabilities at our head office. We expect that it will take more time for these structural and people changes to reach our expected levels of effectiveness. We are encouraged by the progress to date and we believe that our organization is now more closely linked to our strategic goals.

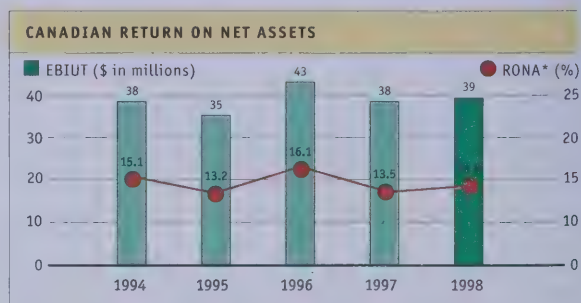
Our *Selections* catalogue business is our direct sales channel. In preparation for its expanded role in 1999, the catalogue's merchandise mix was streamlined in the last half of 1998. Heavy markdowns were taken in the fourth quarter to reduce catalogue inventory levels and to clear product no longer offered. The catalogue markdowns also hurt sales in **Northern** markets in the fourth quarter.

At the end of the year, \$9.9 million of the \$20.0 million restructuring provision had been used. Management believes the remaining provision is adequate to complete the *Vision 2000+* strategies.

Diversified business

Revenues in our Diversified Business group, which in 1998 included The North West Company Trading Posts, the Inuit Art Marketing Service (IAMS) and Crescent Multi Foods (CMF) distribution business, reported sales of \$10.9 million compared to \$11.9 million in 1997 and an EBIT of \$454,000 in 1998 versus a loss of \$765,000 in 1997.

Three of the six North West Company Trading Posts were closed during the year due to poor profitability. The remaining stores generated a 4.3% sales decrease and a modest profit. IAMS sales declined by 17.1% but delivered a small EBIT compared to a loss of almost \$0.5 million last year. Internal controls have been strengthened and operating problems have been addressed to return this business to profitability. CMF, which provides produce and food services to independent food retailers and to **Northern** stores in Manitoba and Northwestern Ontario, produced a strong sales increase to \$8.2 million compared to \$4.9 million in 1997. It was a strong contributor to the profits earned by the diversified business group. It expanded its coverage to 53 **Northern** stores in 1998 versus 51 stores in 1997. Approximately one third of its volume is with **Northern** stores.

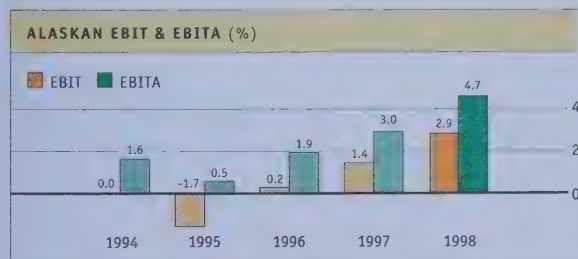


* EBIT as a percentage of average net assets employed

ALASKAN OPERATION (IN U.S. DOLLARS)

Alaska Commercial Company (**AC**) improved its profitability in 1998, delivering a 118.8% increase in earnings before interest and income taxes (EBIT) to \$2.6 million compared to \$1.2 million in 1997. Sales were up 6.2% (5.2% on a same store comparable 52-week basis) to \$90.6 million for the year. Food sales, which accounted for 76.6% of total revenue, increased 7.6% (6.9% on a same store comparable 52-week basis) as **AC** continued to capture market share through superior food merchandising and stronger general merchandise programs. **AC** also benefited from the expansion and replacement of its two largest stores. General merchandise sales were up 1.7% (0.3% on a same store comparable 52-week basis) from 1997, due to the continuing shift of space and promotion in favor of food and more basic non-food merchandise. Weak commercial salmon prices continued to plague the fishing-dependent communities of western Alaska and negatively affected 40% of **AC**'s markets during summer. Gross margins improved 1.2 points to 32.3%, reflecting strengthened controls and the downsizing of low margin categories. **AC**'s expense rate decreased to 29.5% from 29.8% due to increased emphasis on in-store labour expense control. Year-end inventories at \$14.0 million were \$1.0 million or 6.7% lower than last year.

EBIT and EBIT before amortization (EBITA) of Alaskan operations are summarized below.



Net capital expenditures in 1998 were \$3.1 million. **AC**'s two large store projects, a major renovation in Bethel and a replacement store in Barrow, were completed in June. Both stores have delivered planned sales increases. One new store in St. Paul was added in 1998. Capital spending in 1999 is expected to be approximately \$2 million and will be directed at opening two to four new locations and investing in systems hardware to support conversion to NWC's new merchandise and financial information systems by the third quarter of 1999.

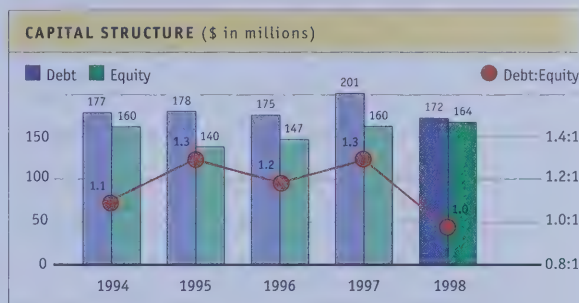
Three **AC** express convenience stores, one small **AC** value store and the last marina store were closed in January 1999. All of these units were under performing and, because of store condition or location, had limited prospect for improvement.

Alaskan operations reduced their staff count from 685 to 635 primarily due to the closure of five small stores in January 1999.

At January 30, 1999, **AC** employed net assets of \$45.4 million compared to \$44.5 million at the previous year-end.

LIQUIDITY AND CAPITAL RESOURCES

NWF's capital structure is reflected in the following chart.



On a consolidated basis, NWF had \$172.0 million in debt and \$164.1 million in equity at the end of the year with a significant improvement in the debt to equity ratio of 1.0:1 versus 1.3:1 at January 31, 1998.

	1994	1995	1996	1997	1998
Debt (\$ in millions)	177	178	175	201	172
Equity (\$ in millions)	160	140	147	160	164
Debt/Equity Ratio	1.1:1	1.3:1	1.2:1	1.3:1	1.0:1

Cash flow from operating activities at \$58.6 million improved by \$37.3 million or 175% over last year. Canadian inventories were reduced by \$19.8 million or 17.6% from last year as a result of the closing of 14 non-core stores and the downsizing of non-core categories in preparation for store reprofiling in 1999. Alaskan operations decreased inventories by 6.7% primarily due to the reprofiling of assortments and improved inventory control. Accounts receivable balances were reduced by 27.1% or \$17.4 million primarily due to the repayment of an interim financing loan of \$10.4 million Canadian that was provided for the building of a new store in Alaska.

No new debt was issued or required in 1998. In addition to the \$112.0 million in secured bonds outstanding, NWC has \$106.0 million in secured operating lines of credit with banks in Canada and the United States of which \$39.0 million was drawn at the end of the year. The Fund's operations were reviewed by Dominion Bond Rating Service in February 1999 and its BBB low rating was unchanged.

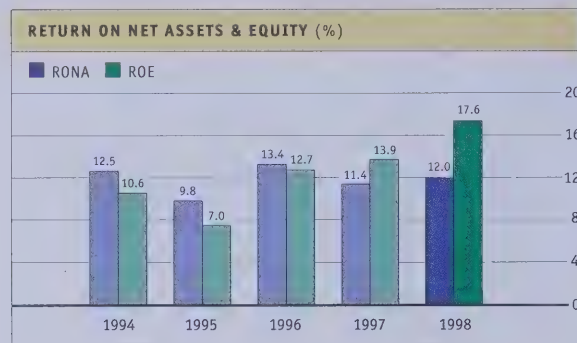
In 1995, NWC converted \$42.8 million of its bond issue to U.S. dollars which serves to hedge foreign currency fluctuations on the majority of its U.S. assets.

Book value per unit at the end of the year was \$10.94, an increase of \$0.26 or 2.4% from last year.

The number of units outstanding at January 30, 1999 was 15,000,000, unchanged from January 31, 1998. The average number of units outstanding during 1998 and 1997 was 15,000,000.

Management's Discussion & Analysis

NWC produced a return on average net assets (RONA) of 12.0% in 1998 compared to 11.4% in 1997. Return on equity before unusual item (ROE) of the NWF was 17.6% versus 13.9% in 1997.



Capital expenditures

Total capital expenditures in 1998, net of \$0.9 million in disposals, were \$17.4 million compared to \$26.7 million in 1997. Net capital spending on Canadian and Alaskan operations respectively amounted to \$13.3 million and \$4.1 million. Capital expenditures are expected to be about \$19 million in 1999, which will be funded out of operating cash flow.

Interest expense

Interest expense at \$13.7 million was 11.5% higher than in 1997 due to higher interest rates that were only partially offset by lower debt levels during the last part of the year. The average cost of debt increased to 6.81% from 6.32% in 1997. The average debt outstanding during the year was \$201.2 million, 3.4% higher than the average debt of \$194.5 million in 1997. Consolidated debt at the end of January 1999 was \$172.0 million which was 14.6% less than a year earlier while net assets employed decreased 7.0% to \$336.2 million. Fixed rate financing was reduced to \$20.0 million in swaps outstanding until August 28, 2000.

The interest coverage ratio remained strong at 3.12 times compared to 3.22 times last year.

	1994	1995	1996	1997	1998
Coverage ratio	3.66	2.63	3.65	3.22	3.12
EBIUT (\$ in millions)	38.4	32.9	43.2	39.6	42.8
Interest (\$ in millions)	10.5	12.5	11.8	12.3	13.7

Income taxes

NWF recorded a \$7.0 million recovery on income taxes in 1998 compared to a \$6.3 million charge in 1997. The effective income tax rate for 1998 was reduced to a 77.1% recovery as a result of tax deductions related to the unusual item, the increased interest on the subordinated notes, and AC income applied to losses carried forward. NWC's effective Canadian income tax rate was 39.2% compared to 42.0% last year. The decrease in the tax rate

was due to recoveries of prior years' taxes at rates higher than the statutory rate.

AC's earnings were sheltered from tax by applying tax loss carried forwards against its earnings. AC has the tax benefit of losses carried forward of \$7.4 million U.S. which have not been recognized in the financial statements.

RISKS

NWC is exposed to the normal longer term business risks of the retail marketplace. The following table lays out the key risk factors that could affect the Company and its long term profitability:

RISK FACTORS AFFECTING PROFITABILITY

External Factors:	Internal Factors:
Consumer environment	Customer service
Government spending	<i>Vision 2000+</i>
Employment income	Use of technology
Retail competitors	Year 2000 risks
Interest rate fluctuations	
Foreign exchange rates	
Refinancing debt	

NWC recognizes that its performance is dependent on maintaining healthy relations with the Aboriginal communities it serves. To nurture this relationship, the Company has programs in place to increase the participation of Aboriginal people in all facets of NWC from the sales floor, through management to board representation and ownership participation. NWC is committed to increasing the complement of Aboriginal people among new management recruits and heightening the awareness of management and staff of the cultural and social issues that affect Aboriginal people. During 1998, we hired or promoted eight Aboriginal people into store management positions for a total of 136 or 22% of total store management in Canada. We also hired or promoted four Aboriginal people into store management positions for a total of nine or 9% of total store management in Alaska.

The economy in the North is highly dependent on government spending through social benefits programs, health care, education and services. Capital spending on infrastructure and housing creates significant economic stimulus as evidenced by the strong 3.5% sales growth in the newly formed Nunavut Territory in contrast to the areas such as the western Arctic, where spending restraints by both the federal and territorial governments and the lack of employment related to oil and gas exploration has contributed to a sales decline of 4.6%. Government social assistance spending in Alaska is not as great a factor because of the economy which is more dependent on natural resources such as fishing, oil and mining. The Alaska rural economy benefits from annual dividends from a Fund created by oil royalty revenues collected over the past 15 years. These dividend payments are expected to be approximately \$1,500 per resident in 1999 and are paid each October.

Non-government related employment income in Canadian communities contributes a smaller proportion of household income as few locations have a strong economic base. In Alaska, employment income from natural resource industries, such as fishing, oil and mining, provide a larger share of family incomes and causes spending to be more volatile.

The remoteness and size of the markets serviced make it difficult for southern-based retail competitors to access our markets. However, catalogues, televised home shopping and electronic commerce, provide alternatives to our customers, primarily in the non-perishable categories. Our stores also compete with more accessible major regional centres which our customers may travel to.

No new retail chains expanded physically into our markets in 1998 and none are expected in 1999, with the exception of the opening of *Wal-Mart* in Kodiak, Alaska in March 1999. Competition is generally stronger from local independent and *Co-op* store competition, as well as from southern retailers selling by catalogue into the North. One of our principal competitors in Alaska was recently acquired by *Safeway Inc.* At this time, it appears this transaction will not have a significant impact on our business.

NWC is exposed to interest rate fluctuations on \$139.1 million in floating debt. The Company has concluded that the cost and reduced flexibility exceed the projected benefit of fixing the rate on this debt.

NWC has partially offset the risks of changes in foreign exchange by hedging its investment in Alaska through forward foreign exchange contracts.

NWC is exposed to the normal risks of refinancing debt. The Company has bonds in the amount of \$112 million and has also negotiated lines of credit with two Canadian banks and one bank in Alaska. Financial instruments have been used to fix a portion of NWC's debt while other instruments have been used to allow a portion of NWC's debt to float at short term interest rates. Management foresees no difficulty in maintaining these credit arrangements in 1999.

The Company places emphasis on customer service when recruiting, training and evaluating the performance of staff in the stores and in support services. Reward and recognition programs enforce the recognition that customer service is our first priority.

The *Vision 2000+* strategy results in risks related to customer acceptance of changes to our in-store assortments, pricing, and the expanded role of the catalogue. Some of the margin improvements and cost and inventory reductions planned in *Vision 2000+* are based on the use of technology to enable management and staff to improve efficiency. The Company has made significant investments to ensure that people, process and technology capabilities will support our strategic goals.

YEAR 2000

The Company has been working on its Year 2000 (Y2K) risk since 1996. The Company has a Y2K Steering Committee chaired by the President, and a Y2K Project Management Office managed by a full-time project manager. The Y2K Steering Committee consists of three officers and two senior managers, one of which is fully dedicated to the management of this project. The committee meets weekly and uses outside consultants to monitor its processes and progress. The committee reports directly to the Audit Committee of the Board on a regular basis. The Company has both dedicated a large number of internal staff and, where appropriate, has secured specialized external resources to assess, develop and test solutions and contingency plans. The steps we have already undertaken include the following:

- Creating an inventory of our computer systems, embedded chip technologies and supply chain management exposures.
- Assessing our computer systems and embedded chip technologies for Year 2000 readiness.
- Developing a schedule to implement required changes.
- Developing specific plans to retire, repair, rewrite or replace proprietary software.
- Developing specific plans with suppliers of purchased or licensed components of our computer systems and embedded chip technologies to acquire Year 2000 ready components.
- Testing of our computer systems and embedded chip technologies for Year 2000 readiness.
- Monitoring the Year 2000 readiness of our key trading partners.
- Developing contingency plans.

Major merchandising and financial management systems have been replaced in NWC and will be replaced in **AC** in 1999. NWC expects that the cost of these replacement systems and modifications of other systems that are not Year 2000 compliant to be \$13.0 million of which \$9.8 million has been spent to date. Software development and hardware costs are capitalized and amortized over a five-year period commencing when the application is put into production. Solutions are planned to be in place by the early fall 1999 to ensure there are no business disruptions as we move into the year 2000.

Despite the comprehensive preparations, the Company cannot guarantee that its operations will not be disrupted by Y2K related problems, particularly as a result of third party suppliers over which the Company may have little control.

BUSINESS ENVIRONMENT AND FUTURE PROSPECTS

The key business opportunities facing the Company are being pursued through *Vision 2000+*. The Company believes that it has significant growth potential in its core Canadian business and that this can be realized by meeting the needs of customers by providing a better assortment of groceries, fresh food and everyday basic general merchandise at affordable, fair prices. To deliver this, the Company is improving market planning, purchasing, delivery and selling systems and has put in place performance-driven reward systems for its people. The closing of non-core stores, plus administrative cost reductions, will allow the Company to focus resources in priority areas.

Progress in Alaska has been encouraging with sales and earnings showing strong increases for five consecutive quarters despite a weak fishing season in 1998. New store openings and existing business gains in 1999 will help maintain this momentum.

Economic factors are more positive for 1999. The eastern Arctic economy will be stimulated by increased spending in Nunavut Territory as the new government establishes itself in 1999 and by new housing spending in Nunavik (Arctic Quebec). Across the rest of Canada, the federal government has announced child benefit increases and more money for health care and housing in Aboriginal communities. These initiatives should improve income and spending in many of the markets we serve.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of North West Company Fund and The North West Company Inc. are responsible for the integrity of the accompanying financial statements and all other information in this annual report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial reporting, management maintains accounting systems and appropriate internal controls and an internal audit function designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded and that the financial records are reliable.

Final responsibility for the financial statements and their presentation to unitholders rests with the Trustees of the Fund and the Board of Directors of the Company. The Audit Committee of the Board, consisting of outside directors, meets periodically with management, Trustees and with the internal and external auditors to review the audit results, internal controls and accounting policies. The Audit Committee meets separately with management and the external auditors, PricewaterhouseCoopers LLP, to review the financial statements and recommend approval by both the Trustees and the Board of Directors.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the unitholders, have completed their audit and submitted their report as follows.



Edward Kennedy
President and Chief Executive Officer
The North West Company Inc.



Gary V. Eggertson
Chief Financial Officer and Secretary
North West Company Fund

March 12, 1999

AUDITORS' REPORT

PRICEWATERHOUSECOOPERS 

To the Unitholders of
North West Company Fund

We have audited the consolidated balance sheets of North West Company Fund as at January 30, 1999 and as at January 31, 1998 and the consolidated statements of earnings and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at January 30, 1999 and January 31, 1998 and the results of its operations and cash flows for the fiscal years then ended in accordance with generally accepted accounting principles.



Chartered Accountants
Winnipeg, Canada

March 12, 1999

North West Company Fund

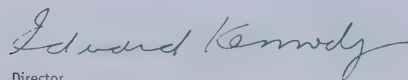
Consolidated Balance Sheets

(in thousands of Canadian dollars)	January 30, 1999	January 31, 1998
ASSETS		
Current assets		
Cash	\$ 9,712	\$ 10,376
Accounts receivable	46,954	64,382
Income taxes recoverable	11,101	2,760
Inventories	114,022	134,425
Prepaid expenses	1,137	1,716
	182,926	213,659
Capital assets (Note 3)	197,310	198,074
Other assets (Note 4)	13,045	13,403
	\$ 393,281	\$ 425,136
LIABILITIES		
Current liabilities		
Bank advances and short-term notes (Note 5)	\$ 39,005	\$ 66,337
Accounts payable and accrued	49,321	54,466
Current portion of long-term debt	473	595
	88,799	121,398
Long-term debt (Note 6)	132,571	134,476
Deferred income taxes	7,794	9,102
	229,164	264,976
EQUITY		
Capital (Note 7)	148,587	144,837
Retained earnings	11,825	14,430
Cumulative translation adjustment (Note 8)	3,705	893
	164,117	160,160
	\$ 393,281	\$ 425,136

Approved by the Trustees and Board



Trustee and Director



Director

Consolidated Statements of Earnings and Retained Earnings

(in thousands of Canadian dollars)	52 weeks ended January 30, 1999	53 weeks ended January 31, 1998
SALES AND OTHER REVENUE	\$ 629,118	\$ 616,710
Cost of sales, selling and administrative expenses	(567,078)	(559,612)
Earnings before interest, unusual item, income taxes and amortization	62,040	57,098
Amortization	(19,209)	(17,511)
EARNINGS BEFORE INTEREST, UNUSUAL ITEM AND INCOME TAXES	42,831	39,587
Interest, including interest on long-term debt of \$9,178 (1997 \$8,856)	(13,714)	(12,298)
Unusual item (Note 14)	(20,000)	—
Earnings before income taxes	9,117	27,289
(Provision) recovery for income taxes including deferred recovery of \$1,308 (1997 \$532) (Note 9)	7,028	(6,252)
EARNINGS FOR THE YEAR	16,145	21,037
Retained earnings, beginning of year	14,430	53,550
Distributions/Dividends	(18,750)	(7,425)
Conversion to Fund capital	—	(52,732)
RETAINED EARNINGS, END OF YEAR	\$ 11,825	\$ 14,430
EARNINGS PER UNIT (Note 10)	\$ 1.08	\$ 1.40

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	52 weeks ended January 30, 1999	53 weeks ended January 31, 1998
CASH PROVIDED BY (USED IN)		
Operating Activities		
Earnings for the year	\$ 16,145	\$ 21,037
Non-cash items		
Amortization	19,209	17,511
Deferred income taxes	(1,308)	532
Amortization of bond warrant proceeds and interest rate fixing payment	(2,035)	(1,960)
Loss (Gain) on disposal of capital assets	99	(1,128)
Unusual item	20,000	-
Cash flow	52,110	35,992
Changes in non-cash working capital components	6,463	(14,677)
Operating activities	58,573	21,315
Investing Activities		
Purchase of capital assets	(18,328)	(28,818)
Proceeds from sale of capital assets	923	2,161
Other assets	651	10
Investing activities	(16,754)	(26,647)
Financing Activities		
Reinvestment of unit distribution	3,750	-
Expenses of the arrangement	-	(1,500)
Repayment of long-term debt	(581)	(328)
Financing activities	3,169	(1,828)
Distributions/Dividends	(18,750)	(8,925)
CHANGES IN CASH POSITION	26,238	(16,085)
Effect of currency translation adjustment	430	(3,766)
Cash position, beginning of year	(55,961)	(36,110)
CASH POSITION, END OF YEAR	\$ (29,293)	\$ (55,961)
CASH POSITION IS COMPRISED OF		
Cash	\$ 9,712	\$ 10,376
Bank advances and short-term notes	(39,005)	(66,337)
	\$ (29,293)	\$ (55,961)

1. ORGANIZATION

The Board of Directors of The North West Company Inc. (NWC) approved a Plan of Arrangement on February 17, 1997 that was ratified by the shareholders at a special meeting held on March 27, 1997. Under the plan, the shareholders indirectly exchanged their existing common shares of NWC for units of the North West Company Fund (NWF).

The Fund is an unincorporated open-ended mutual fund trust, governed by the laws of the Province of Manitoba and the laws of Canada and created pursuant to a Declaration of Trust. The beneficiaries of the Fund (the "unitholders") are holders of trust units issued by the Fund (the "trust units"). The Fund is a limited purpose trust whose purpose is to invest in securities of its wholly owned subsidiary NWC, administer the assets and liabilities of NWF and make distributions to the unitholders all in accordance with the Declaration of Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and comparative amounts

The consolidated financial statements of the Fund include the amounts of its wholly owned subsidiary NWC and its subsidiaries, all of which are wholly owned.

The financial statements of the Fund have been prepared under the continuity of interests method of accounting. Under this method of accounting, the net assets of NWF, at the effective date of its formation, are valued at their historical cost as reported in the consolidated financial statements of NWC at that date. Retained earnings reported in respect of NWF represent the undistributed earnings of NWC.

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada. All significant intercompany amounts and transactions have been eliminated on consolidation.

Fiscal year

The fiscal year ends on the last Saturday in January. Accordingly, the 1998 fiscal year ended January 30, 1999 (52 weeks) and the 1997 fiscal year ended January 31, 1998 (53 weeks). Approximately every five years an additional week of sales and expenses are included in the financial results to bring results back in line with the 52 week year.

Accounts receivable

In accordance with recognized retail industry practice, accounts receivable classified as current assets include customer installment accounts of which a portion will not become due within one year. Last year accounts receivable also included short term financing provided for a construction project.

Inventories

Inventories are valued at the lower of cost and net realizable value less normal profit margins. The cost of inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at rates which will fully amortize the assets over their estimated useful lives, as follows:

Buildings	2% - 5%
Leasehold improvements	5% - 20%
Computer equipment and software	12% - 33%
Fixtures and equipment	8%
Transportation equipment	8% - 20%

Other assets

The investments in transportation companies are accounted for on the equity basis. Prepayments under lease agreements are being amortized over their respective lease terms. Deferred financing fees are being amortized over the terms of the loan agreements.

Income taxes

The Fund is an inter vivos trust for income tax purposes. All income of the trust is distributed to unitholders, and as such, no income tax is payable by the trust. Provision for income taxes is recorded in NWC and its subsidiaries, at applicable statutory rates.

Pensions in Canada

Current service costs under NWC's pension plans are charged to operations as they accrue. The difference between the market value of pension fund assets and the actuarially determined present value of accrued pension obligations, as well as experience gains and losses, are amortized over the expected average remaining service life of the employee group. Actuarial valuations are calculated using the projected benefit method pro-rated on services, based on management's best estimate of future events.

Employee savings plan in Alaska

Alaska Commercial Company (AC) sponsors an employee savings plan covering substantially all employees. Under the terms of the plan, AC is obligated to make a 50% matching contribution up to 3% of eligible compensation, otherwise contributions are discretionary. Contributions to this plan are expensed as incurred.

Foreign currency translation

The accounts of Alaskan operations have been translated into Canadian dollars as follows: assets and liabilities, at the year-end exchange rate; revenues and expenses, at the average exchange rate for the period. Foreign exchange gains or losses arising from the translation of Alaskan operations and a forward foreign exchange contract are deferred and included in a separate component of equity as a cumulative translation adjustment.

3. CAPITAL ASSETS (in thousands of Canadian dollars)

Fiscal Year Ended January	1999		1998	
CAPITAL ASSETS	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 6,602	\$ -	\$ 6,530	\$ -
Buildings and leasehold improvements	171,804	46,194	166,055	39,196
Fixtures and equipment	130,984	65,886	118,818	54,133
	\$309,390	\$ 112,080	\$291,403	\$ 93,329
Net Book Value		\$197,310		\$198,074

4. OTHER ASSETS (in thousands of Canadian dollars)

Fiscal Year Ended January	1999	1998
OTHER ASSETS		
Investments in transportation companies	\$ 4,893	\$ 4,950
Deferred pension costs	1,641	1,256
Prepayments under lease agreements	912	949
Long-term receivable	2,273	2,428
Other*	3,326	3,820
	\$ 13,045	\$ 13,403

*Other includes deferred financing fees, redeemable deposits with suppliers, and a mortgage receivable.

5. BANK ADVANCES AND SHORT-TERM NOTES

The Canadian operation has operating lines of credit of \$100 million (1998 \$80 million). These lines of credit have been obtained by NWC on a secured basis as outlined in Note 6.

The Alaskan operation has an operating line of credit of \$4 million U.S. secured by a guarantee of NWC.

6. LONG-TERM DEBT (in thousands of Canadian dollars)

Fiscal Year Ended January	1999	1998
LONG-TERM DEBT		
Bonds	\$112,000	\$112,000
Deferred warrant proceeds	4,459	5,705
Deferred interest rate fixing payments	378	1,167
Forward foreign exchange payable	1,267	1,089
U.S. real estate loans	7,637	7,591
Manitoba Development Corporation	5,000	5,000
U.S. obligation under capital lease	2,303	2,269
Other long-term liabilities	-	250
	133,044	135,071
Less: Current portion	473	595
	\$132,571	\$134,476

On August 28, 1995, NWC issued \$112 million of senior bonds at a blended interest rate of 12.36%, due August 28, 2002. Interest is payable semi-annually on February 28 and August 28. These bonds were originally issued on an unsecured basis. On March 27, 1997, when the Plan of Arrangement creating NWF became effective, the following security was granted to senior bondholders and the banks providing NWC's Canadian operating lines of credit:

- General security agreement of NWC and its subsidiaries to each of the bondholders and banks;
- Debenture of NWC to the bondholders and banks and pledge thereof; and
- Pledge of securities of subsidiaries of NWC to the bondholders and banks.

Deferred warrant proceeds, less expenses, represent an amount received related to the issuance of the bonds and are being amortized to income over their term resulting in an effective interest rate of 9.56%.

The Company has the following financial arrangements in place including interest rate swap arrangements and a forward foreign exchange transaction with respect to the bonds.

1. The interest rate on \$20 million, which was fixed at 8.20%, for a period of three years expired on August 28, 1998 and is now floating as reflected in #4 below. The interest rate on \$20 million was fixed at 8.61%, for a period of five years, commencing on August 28, 1995.
2. A forward foreign exchange contract was entered into whereby \$42.828 million was effectively converted, on August 28, 1995, into \$30 million U.S. This transaction, which terminates on August 28, 2002, results in NWC paying U.S. dollars at a fixed rate and receiving Canadian dollars at the same fixed rate which is equal to the bond interest rate.
3. An interest rate swap was entered into for \$30.750 million U.S. whereby the U.S. dollar fixed rate debt effectively created in #2 was converted from fixed rate debt to floating rate debt. This swap terminates on August 28, 2002 and NWC pays a floating rate that is approximately 1.57% above the three month London Interbank Offered Rate (LIBOR).
4. An interest rate swap for \$32.122 million was entered into whereby these funds were converted from fixed rate debt to floating rate debt. This swap, which terminates on August 28, 2002, increased to \$52.122 million on August 28, 1998 when the fixed interest rate arrangements described in #1 expired. As a result of this swap, NWC pays a floating rate that is approximately 0.82% above the three month Canadian Banker's Acceptance rate.
5. An interest rate swap for \$21.2 million was entered into which commences on August 28, 2000 and terminates on August 28, 2002. This swap converts the interest rate on these funds from fixed rate to floating rate once the arrangements described in #1 expire. The floating rate NWC will pay will be the same as described in #4.

As a result of these arrangements, NWC is subject to interest rate fluctuations on \$92 million of its bond proceeds. Furthermore, NWC is subject to foreign currency fluctuations on the interest payments pertaining to the forward foreign exchange transaction and the U.S. swap.

The Alaska Industrial and Economic Development Export Authority (AIDEA) and two Alaskan-based banks have provided the U.S. real estate loans to assist in the financing of new stores. The remaining term of the loans is 11 years and the loans bear interest rates equivalent to 90 day commercial paper plus 2.6% for the AIDEA loans which represent 80% of the principal. The interest on the bank portion of these loans is approximately prime U.S. plus 0.75%. These loans are secured by the stores and related equipment.

The Manitoba Development Corporation loan of \$5,000,000 provided to assist in the financing of the Winnipeg Retail Service Centre, bears interest at the rate charged by the Manitoba Government to Crown Corporations and is repayable in four equal annual payments commencing December 31, 2000 and ending December 31, 2003. The loan is secured by a first fixed charge against the leasehold title to the land, a first fixed charge against the building, and a first fixed charge on all present and future processing equipment connected with the project. Interest is forgiven if NWC attains agreed upon annual job creation targets. The Company anticipates that the agreed targets will be met; accordingly, no interest has been accrued.

The U.S. obligation under a capital lease is repayable in blended principal and interest payments of \$200,000 U.S. annually. The obligation will be fully repaid on October 31, 2013.

The bonds and related swap arrangements are the only financial instruments with fair values that vary significantly from carrying value. The fair value of the bonds as at January 30, 1999 was \$20.9 million (1998 \$19.4 million) higher than the carrying value. However, this is offset by the fair value of \$20.9 million (1998 \$19.4 million) in favor of NWC on the interest rate swap arrangements and the foreign exchange transaction with a credit worthy counterparty.

The Company's interest rate risk is directly attributed to its bank advances and short term notes as well as its long term debt.

7. CAPITAL (in thousands of Canadian dollars)

Fiscal Year Ended January	1999	1998
CAPITAL		
Opening capital (15,000,000 units)	\$ 144,837	\$ —
Reinvestment of unit distribution ¹	3,750	—
Conversion of NWC capital ² (15,000,000 common shares)	—	93,605
Conversion of retained earnings:		
Retained earnings, beginning of year	—	53,550
Earnings prior to the arrangement	—	682
Dividends prior to the arrangement	—	(1,500)
	—	52,732
Expenses of the arrangement	—	(1,500)
Capital (15,000,000 units)	\$ 148,587	\$ 144,837

¹ The distribution paid to unitholders on December 31, 1998 was in the form of units, which were immediately consolidated and reinvested into capital of the Fund.

² On March 27, 1997, the effective date of the Plan of Arrangement, the existing share capital and retained earnings of NWC were converted into capital of the Fund.

8. CUMULATIVE TRANSLATION ADJUSTMENT

The cumulative translation adjustment account represents the net changes due to exchange rate fluctuations in the equivalent Canadian dollar book values of the net investment in self-sustaining Alaskan operations since the date of acquisition. The change in this account as at January 30, 1999 is attributable to the weakening of the Canadian dollar relative to the U.S. dollar during the year.

9. INCOME TAXES

The Company's effective income tax rate is determined as follows:

Fiscal Year Ended January	1999	1998
INCOME TAXES		
Combined income tax rate	44.3%	42.2%
Increase (decrease) in the income tax rate resulting from		
Amounts not subject to tax	0.1	(1.3)
Tax on large corporations	5.5	1.1
Recovery of prior years taxes at rates higher than the statutory rate	(10.7)	—
Effective Canadian income tax rate	39.2%	42.0%
Adjustment for:		
Non recognition of tax benefit on U.S. losses	(13.6)	(0.8)
Tax deduction on interest to the Fund	(102.7)	(18.3)
Effective income tax rate	(77.1)%	22.9%

The Alaskan operation has operating loss carryforwards of U.S. \$7.4 million to offset future income for tax purposes. These expire at the rate of \$0.6 million in 2009; \$4.2 million in 2010, \$2.1 million in 2011 and \$0.5 million in 2012. The future benefit of these loss carryforwards has not been recorded in these financial statements.

10. EARNINGS PER UNIT

Earnings per unit are based on the weighted average number of units outstanding during the year.

11. SEGMENTED INFORMATION

The Company operates predominantly within the retail industry in northern Canada and Alaska. The following information is presented for the two business segments of NWC:

	Fiscal Year Ended January	Canada	Alaska	Total
SEGMENTED INFORMATION (in thousands of Canadian dollars)				
Sales and other revenue	1999	\$494,023	\$135,095	\$ 629,118
	1998	497,997	118,713	616,710
Earnings before interest, unusual item, income taxes and amortization	1999	55,736	6,304	62,040
	1998	53,478	3,620	57,098
Earnings before interest, unusual item, and income taxes	1999	38,997	3,834	42,831
	1998	37,953	1,634	39,587
Identifiable assets	1999	266,907	69,259	336,166
	1998	296,389	65,179	361,568

12. PENSIONS

The Company maintains defined benefit pension plans for its Canadian employees. The plans provide pensions based on length of service and final average earnings. The accrued pension benefits and the market value of the plans' net assets were determined by actuarial valuation as at January 30, 1999. At January 30, 1999, the plans' obligations are estimated to be \$33,932,000 (1998 \$35,505,000) and the net assets available to provide these benefits are estimated to be \$42,736,000 (1998 \$36,247,000).

13. OPERATING LEASE COMMITMENTS

The Company leases the land on which the Winnipeg Retail Service Centre is located from the City of Winnipeg for \$1 per year for 15 years subject to attaining agreed-upon job creation targets. The Company anticipates that the agreed targets will be met; accordingly, no additional lease payments have been accrued.

The Company is obligated to buy the land for the greater of \$1,710,000 or fair market value at August 31, 2007.

The Company has future commitments under operating leases as follows:

OPERATING LEASE COMMITMENTS (in thousands of Canadian dollars)	
Years Ending January	Minimum Lease Payments
2000	\$ 7,687
2001	6,725
2002	6,053
2003	5,783
2004	5,621
Thereafter	52,346

14. UNUSUAL ITEM

During the first quarter ended May 2, 1998, the Company recorded unusual charges totaling \$20,000,000 (\$11,140,000 after deducting related income tax credits of \$8,860,000) as a result of a major repositioning of its Canadian operations designed to sharpen the Company's focus on its core markets and improve performance. Of this amount \$9,000,000 represented write-downs of discontinued inventory, \$7,000,000 was provided for head office and store staff reduction costs and \$4,000,000 was provided for other related costs. The earnings per unit before the unusual item for the 52 weeks ended January 30, 1999 was \$1.82 reflecting an after tax impact of \$0.74 per unit as a result of the transaction.

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Fiscal Year Ended January	1999	1998	1997	1996	1995	1994
SIX YEAR FINANCIAL SUMMARY (in thousands of Canadian dollars)						
CONSOLIDATED STATEMENTS OF EARNINGS						
Sales and other revenue – Canadian Operations	\$494,023	\$497,997	\$474,465	\$470,306	\$470,890	\$451,014
Sales and other revenue – Alaskan Operations	135,095	118,713	116,118	121,728	115,352	97,665
Sales and other revenue – Total	629,118	616,710	590,583	592,034	586,242	548,679
EBIUT – Canadian Operations	38,997	37,953	43,017	34,916	38,383	34,017
EBIUT – Alaskan Operations	3,834	1,634	191	(2,056)	49	4,037
EBIUT – Total	42,831	39,587	43,208	32,860	38,432	38,054
Amortization – Canadian Operations	16,739	15,525	14,181	12,535	10,377	8,949
Amortization – Alaskan Operations	2,470	1,986	1,968	2,636	1,828	1,150
Amortization – Total Operations	19,209	17,511	16,149	15,171	12,205	10,099
Unusual Items	20,000	–	–	16,129	–	–
Interest	13,714	12,298	11,843	12,548	10,472	8,457
Income tax provision (recovery)	(7,028)	6,252	13,507	9,355	11,721	12,435
Earnings (loss)	16,145	21,037	17,858	(5,172)	16,239	17,162
Cash flow	52,110	35,992	30,587	23,966	26,173	29,283
Pre-tax cash flow	45,082	42,244	44,094	33,321	37,894	41,718
Distributions/Dividends	18,750	8,925	6,094	6,466	6,304	5,804
Capital expenditures	18,328	28,818	22,994	29,745	58,476	33,304
Changes in cash position	26,238	(16,085)	(7,231)	44,765	(54,022)	1,120
CONSOLIDATED BALANCE SHEETS						
Current assets	\$182,926	\$213,659	\$184,836	\$185,932	\$204,253	\$182,735
Capital assets	197,310	198,074	184,268	179,651	179,822	145,255
Other assets	13,045	13,403	14,632	10,364	8,359	3,065
Current liabilities	88,799	121,398	92,585	83,671	135,591	83,788
Long-term debt	132,571	134,476	135,228	142,736	85,939	87,833
Deferred income taxes	7,794	9,102	8,570	9,587	10,930	11,782
Equity	164,117	160,160	147,353	139,953	159,974	147,652
CONSOLIDATED PER UNIT/SHARE (\$)						
Basic and fully diluted earnings before unusual item	\$ 1.82	\$ 1.40	\$ 1.18	\$ 0.68	\$ 1.00	\$ 1.06
Net earnings (loss) – fully diluted	1.08	1.40	1.18	(0.32)	1.00	1.06
Cash flow	3.47	2.40	2.03	1.49	1.62	1.82
Pre-tax cash flow	3.01	2.82	2.92	2.08	2.34	2.59
Distributions paid in cash during the year	1.00	0.40	0.00	0.00	0.00	0.00
Distributions paid in units during the year	0.25	0.00	0.00	0.00	0.00	0.00
Pre-tax equivalent dividend	0.00	0.35	0.70	0.70	0.68	0.63
Dividends paid during the year	0.00	0.20	0.40	0.40	0.39	0.36
Equity at end of year	10.94	10.68	9.82	9.02	9.90	9.13
Market price at end of year	15.50	14.00	11.00	8.50	9.88	17.25
STATISTICS AT YEAR END						
Number of stores – Canadian	150	162	159	160	163	166
Number of stores – Alaskan	23	28	27	28	28	20
Canadian stores selling square feet (000's) end of year	990	1063	1026	1009	1004	949
Alaskan stores selling square feet (000's) end of year	229	227	229	223	223	148
Canadian sales per average selling square foot	\$ 481	\$ 477	\$ 466	\$ 467	\$ 482	\$ 482
Alaskan sales per average selling square foot	\$ 592	\$ 520	\$ 513	\$ 545	\$ 622	\$ 662
Number of employees – Canadian	3,823	4,004	3,725	3,779	3,728	3,788
Number of employees – Alaskan	635	685	645	704	640	509
Average units/shares outstanding (000's)	15,000	15,000	15,095	16,040	16,164	16,130
Units/shares outstanding at end of year (000's)	15,000	15,000	15,000	15,519	16,164	16,164
FINANCIAL RATIOS						
EBIUTA (%)	9.9	9.3	10.1	8.1	8.6	8.8
EBIUT (%)	6.8	6.4	7.3	5.6	6.6	6.9
Total return on net assets before unusual item (%)	12.0	11.4	13.4	9.8	12.4	14.9
Return on average equity before unusual item (%)	17.6	13.9	12.7	7.0	10.6	12.3
Pre-tax distribution as % of prior years pre-tax cash flow	35.5	25.5	33.7	29.9	26.4	23.2
Inventory turnover (times)	3.1	3.0	3.0	2.8	2.8	3.1



Ian Sutherland, 54, was appointed **Chairman** in March 1997, after being **President and Chief Executive Officer** since November 1993. Ian has been director of the Company since it was formed in 1987. He is also **President and Chief Executive Officer** of MTC Mortgage Investment Corporation; **Chairman** of the Board of Teachers Retirement Allowances Fund and MTC Leasing Inc.; and a member of the Board of Directors of MFP Technology Services Ltd. and MCAP Financial Corporation. Prior to joining The North West Company, Ian was the **Executive Vice-President and Chief Operating Officer** of The Mutual Trust Company, of which he was a founding shareholder.



Edward S. Kennedy, 39, was named **President and Chief Executive Officer** in March 1997. He has held a number of senior management positions since joining the Company in December 1989, including two years as **President and Chief Executive Officer** of the Alaska Commercial Company. He has a background in retailing, investment banking, and corporate and securities law. Edward is a member of the Board of Directors of the Conference Board of Canada and Buhler Industries Inc.; a member of the Loan Committee of the Alaska Growth Fund Inc., the Young Presidents' Organization, the Ryerson Polytechnic University Retail Management School's Advisory Board; and Co-Chair of the Manitoba Business Council's Aboriginal Challenge Task Force.



Gary V. Eggertson, 51, was appointed **Vice-President, CFO and Secretary** in May 1998. He joined the Northern Stores Division of Hudson's Bay Company as **Assistant Stores Controller** in 1972 and has held various positions within the finance department leading to his appointment as **Controller** in 1979. When the Northern Stores Division was sold, he became **Vice-President, Finance and Secretary**. In 1990, he was appointed **Vice-President, Finance & Administration**. In 1993, he assumed the added responsibility once more of **Secretary** of the Company.



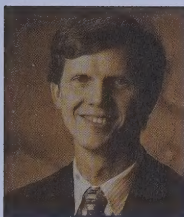
Leonard (Len) G. Flett, 57, was appointed **Vice-President, Store Development & Public Affairs** in April 1998. He started his career with the Company in 1964 as a **Clerk** becoming the fourth generation of Fletts to work with **Northern** stores. He held various management positions in store and regional operations, as well as human resources, prior to his appointment as **Director, Native Business Development** in 1990. He was named **Managing Director, Store Development and Public Affairs** in 1997. Len is **Chairman** of Me-dian Credit Union, the Winnipeg Aboriginal Business Development Centre and the National Aboriginal Achievement Foundation.



John R. McFerran, 46, joined the Company in October 1990 as **Vice President, Human Resources**. He has a background in industrial/organizational psychology. John is a member of many professional and community organizations including The Human Resource Management Association of Manitoba, the Psychological Association of Manitoba, The Institute of Certified Management Consultants of Manitoba, and the United Way of Winnipeg. Prior to joining The North West Company, he was **Partner-in Charge** of the Human Resources and Organizational Services practice with Deloitte and Touche management consultants in Winnipeg.



Carl A. McKay, 45, was appointed **Vice-President of Sales & Operations** in March 1998. He joined the Northern Stores Division in 1972 and has held numerous positions within the Company since that time. In 1980, he was promoted from **Store Manager** to **District Manager**, a position he held for ten years. He subsequently became **Sales Manager** for the Arctic Region, **Director of Human Resources** and then **General Manager** of the Interior Region until his appointment to his present position.



Terence (Terry) P. Sweeney, 41, joined the Company as **Vice-President, Information Services** in October 1998. Prior to this appointment, he was a management consultant for KPMG, where he led the Knowledge Management practice in Toronto. He has a strong background in the retail industry as a result of varied technology management positions with Loblaw Companies and through consulting engagements with some of Canada's leading retailers. He has served as Director of Finance & Special Projects for the North-South Institute, Chairman of Toronto's Daily Bread Food Bank and Bridgehead Inc., a trading company wholly-owned by Oxfam Canada.



Bradley (Brad) R. Vollrath, 38, has been **Vice-President, Logistics** since February 1997. He joined the Company in 1987 and has held various management positions in the finance and logistics divisions including Corporate Controller and Director of Transportation. In 1995, he relocated to Alaska to assume responsibility as Vice-President, Finance, Distribution & Transportation for the Alaska Commercial Company returning to Winnipeg in 1997. Brad is a member of the Board of Directors of Transport Nanuk, the Company's shipping joint venture.



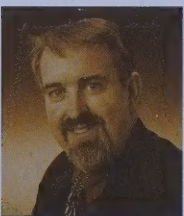
Gerald (Jerry) H. Bittner, 56, was named **President, Alaska Commercial Company (AC)** in February 1997. He joined **AC** in 1996 as Vice-President, Marketing bringing over 30 years of retail experience as an executive with a number of large American retailers. Prior to joining **AC**, he was Senior Vice-President, Merchandising & Operations for the first superstore introduced in the Middle East. He has served on the Board of Directors for the Hopi Indian School in Riverside, California and was appointed to the Community Affairs Board in Toledo, Ohio by the Mayor to work on racial problems.



Robert (Bob) S. Galosich, 48, was named **General Manager, Frontier Expeditors, Alaska Commercial Company** in March 1998. He joined **AC** in 1984 as Branch Manager of the Cordova store and has held various management positions in retail operations. In 1995, Bob was promoted to Grocery Category Manager, a position he held until he was appointed to his present position.



Richard (Dick) G. Hodge, 59, was appointed **Vice-President, Large Store Operations, Alaska Commercial Company** in April 1996. He joined **AC** in February 1996 as an Advisor on large store operating strategies. Prior to joining **AC**, Dick held senior management positions with a number of large American retailers. He was the founder and Chief Operating Officer of the Eagle Stores Division of Carr Gottstein Foods.



Rex A. Wilhelm, 41, was named **Vice-President, Small Store Operations, Alaska Commercial Company** in April 1996. He joined **AC** in 1984 as Grocery Manager of the Nome store and has subsequently held various management positions in store operations and within corporate office. He became General Manager in 1992 and Vice-President, Operations in 1993.

Unitholder Information

QUARTERLY HISTORY					
Fiscal Year	High	Low	Close	Volume	*EPU
1998	16.650	11.550	15.500	4,603,000	\$1.82
First Quarter	16.250	13.800	15.900	1,909,000	0.19
Second Quarter	16.650	15.500	15.600	971,000	0.51
Third Quarter	15.200	11.550	13.600	1,000,000	0.50
Fourth Quarter	15.750	13.500	15.500	723,000	0.62
1997	14.800	10.250	14.000	6,204,000	\$1.40
First Quarter	13.100	10.250	11.250	2,068,000	0.16
Second Quarter	14.800	11.000	14.500	1,856,000	0.35
Third Quarter	14.700	13.500	14.000	1,093,000	0.40
Fourth Quarter	14.150	13.500	14.000	1,187,000	0.49
1996	11.500	6.750	11.000	6,860,000	\$1.18
First Quarter	8.875	6.750	7.750	2,578,000	0.11
Second Quarter	8.900	7.100	7.500	1,507,000	0.38
Third Quarter	10.000	7.750	9.900	1,396,000	0.31
Fourth Quarter	11.500	9.600	11.000	1,379,000	0.38

All currency figures in this report are in Canadian dollars, unless otherwise noted.

* Earnings per unit before unusual item

Transfer Agent and Registrar

CIBC Mellon Trust Company
Winnipeg, Toronto
Toll-free: 1 800 387 0825
www.cibcmellon.ca

1999 Financial Calendar – Report Dates

First Quarter June 3, 1999
Second Quarter September 10, 1999
Third Quarter December 9, 1999
Fourth Quarter March 22, 2000

Number of units outstanding at fiscal year end: 15,000,000

Average number of units outstanding in 1998: 15,000,000

Stock Exchange Listings

The Toronto Stock Exchange
The Winnipeg Stock Exchange

North West Company Fund Distribution Dates

March 15, 1999 (record date February 15, 1999)
June 15, 1999 (record date May 15, 1999)
September 15, 1999 (record date August 15, 1999)
December 15, 1999 (record date November 15, 1999)
December 31, 1999 (record date December 20, 1999)

TIN number: T 17 685 782

CUSIP number: 662906 10 6

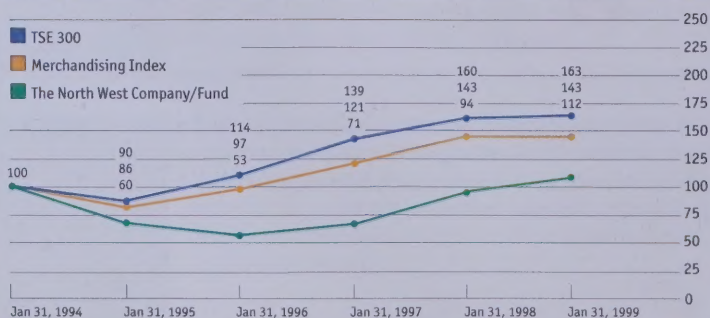
Stock Symbol

NWF.UN

ANNUAL MEETING

The Annual Meeting of Unitholders of North West Company Fund will be held Thursday, June 3, 1999 at 11:30 am in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba.

RELATIVE STOCK/UNIT PRICE PERFORMANCE (%)



This chart compares the relative performance of units of North West Company Fund, formerly shares of The North West Company, over the past five years, with the TSE 300 composite index and the merchandising sub-index of the TSE 300. The shares were converted on a one-for-one basis into units of the Fund effective March 27, 1997. All calculations incorporate the reinvestment of dividends and/or income distributions.

Corporate Information

THE NORTH WEST COMPANY INC.

Directors	Officers
Ian Sutherland ^{1,5} Chairman	Ian Sutherland Chairman
Edward S. Kennedy President & Chief Executive Officer	Edward S. Kennedy President & Chief Executive Officer
Lloyd I. Barber ^{2,3,5} President Emeritus, The University of Regina	Gary V. Eggertson Vice-President, Chief Financial Officer & Secretary
Donald A. Beaumont ^{1,3,4} President, Beaumont & Associates	Leonard G. Flett Vice-President, Store Development & Public Affairs
Nellie Cournoyea ^{4,5} Chairperson & Chief Executive Officer, Inuvialuit Regional Corporation	John R. McFerran Vice-President, Human Resources
Raymond Doré ^{2,3} Chairman & Chief Executive Officer, MCAP Financial Corporation	Carl A. McKay Vice-President, Sales & Operations
Gary J. Lukassen ^{1,3,4} Executive Vice-President & Chief Financial Officer, Hudson's Bay Company	Terence P. Sweeney Vice-President, Information Services
Stanley McKay ^{2,4} Director, Spiritual Care, Health Sciences Centre; Co-Director, Dr. Jessie Saulteaux Resource Centre	Bradley R. Vollrath Vice-President, Logistics
Sterling J. McLeod ^{3,5} Consultant, Investors Group Inc.	Committees of the Board
James G. Osborne ^{1,2,5} President, Westgate Capital Management Corp.	1 Executive Committee
T. Iain Ronald ^{1,2,4} Corporate Director	2 Corporate Governance & Nominating Committee
	3 Audit Committee
	4 Human Resources & Compensation Committee
	5 Pension Committee

NORTH WEST COMPANY FUND

Trustees	Officers
Ian Sutherland Chairman, The North West Company Inc.	Gary V. Eggertson Chief Financial Officer & Secretary
Kevin R. Bolt Partner, Aikins, MacAulay & Thorvaldson	Reinhard Sedlacek Treasurer
David G. Broadhurst President, Reeve Court Insurance Limited	

Principal Subsidiary Company:

ALASKA COMMERCIAL COMPANY

Corporate Executive	
Edward S. Kennedy Chairman & Chief Executive Officer	R. Grant Hodge Vice-President, Large Store Operations
Gerald H. Bittner President	Rex A. Wilhelm Vice-President, Small Store Operations
Robert S. Galosich General Manager, Frontier Expeditors	

CORPORATE INFORMATION

Auditors

PricewaterhouseCoopers

Bankers

The Toronto-Dominion Bank
Bank of Montreal

Registered Office

Gibraltar House
77 Main Street
Winnipeg, Manitoba
Canada R3C 2R1
(204) 943 0881
Toll-free: 1 800 563 0002

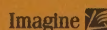
For additional copies of this report or for general information about the Fund or the Company, contact our Assistant Corporate Secretary, Linda Peever
Dial direct: (204) 934 1504
Fax: (204) 934 1455
E-mail: lpееver@northwest.ca
www.northwest.ca

Throughout this annual report, photographs of customers and employees from the communities of Anchorage, Barrow, Bethel, Hooper Bay, Kotzebue, Norway House, and Winnipeg are shown.

Trademarks are used throughout this annual report in an editorial fashion with no intention of infringement. All trademarks (shown in italics) are the legal property of their registered owners.

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The North West Company is recognized as a Caring Company by IMAGINE, an initiative of the Canadian Centre for Philanthropy. IMAGINE-designated companies have a policy of donating at least 1% of average pre-tax profits to charitable and nonprofit organizations.

At The North West Company, the commitment of employees goes far beyond merely donating funds. Employees devote their time and expertise, both on and off the job, to ensure the success of various community organizations and projects.

values we strive to be known for...

...providing a superior selection of food and everyday needs, a broad range of direct order products and accessible services – all at fair, competitive prices.

customer

community

...actively supporting local events and community development initiatives.

investor

...delivering total returns that create economic value and achieve top quartile performance.

employee

...fostering a spirit of enterprise, and reward for performance in an environment characterized by openness, mutual respect and encouragement.

